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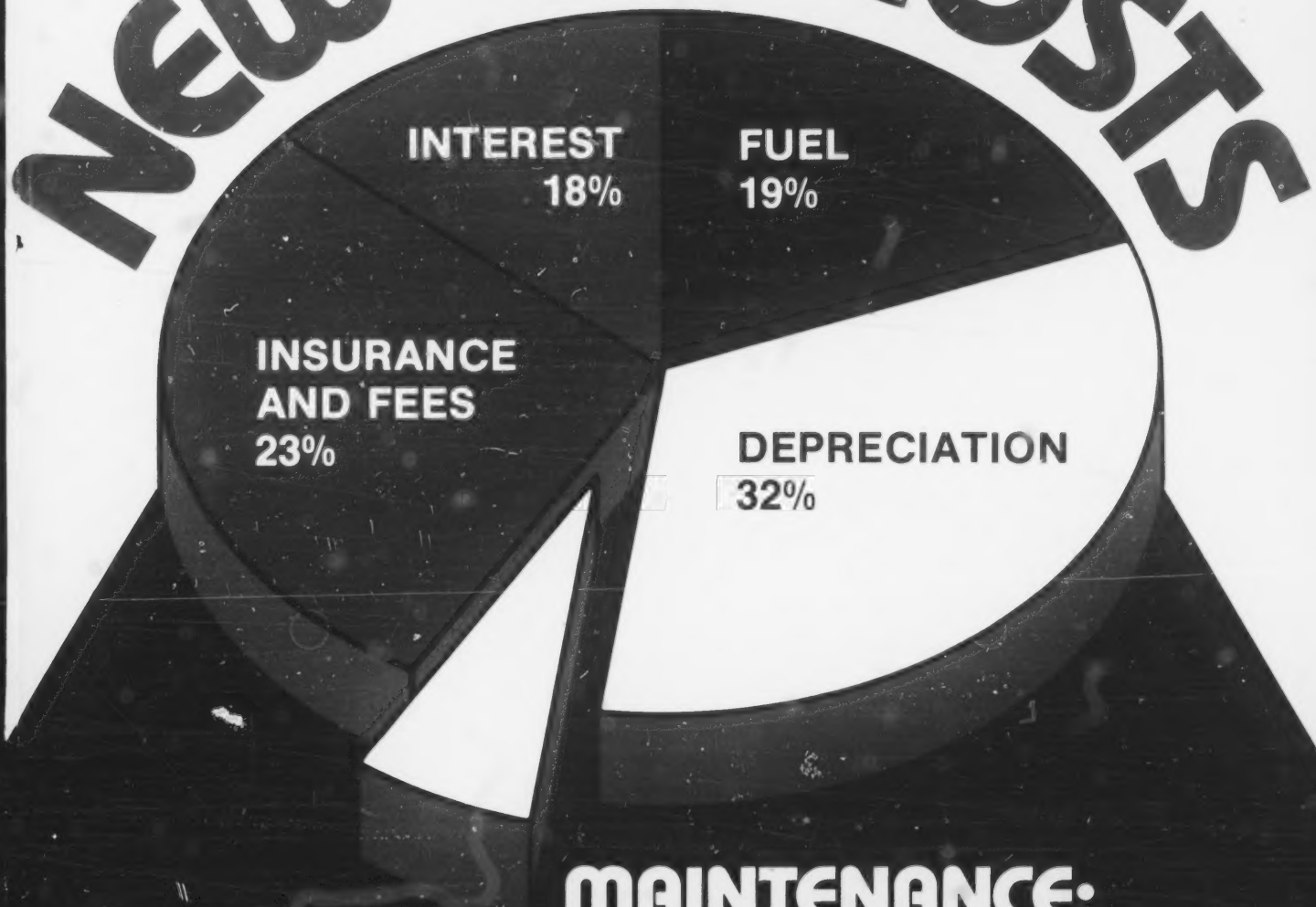
June 1984

NEW CAR COSTS



MAINTENANCE:
8% of your costs, but must buy reliable fleet performance

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Mourges Tells Members:

Maintenance Is an Important Aspect of Your Daily Operation

NAFA's Annual Conference in Los Angeles focused on topics vital to the fleet manager's responsibilities. The Wednesday program was devoted entirely to the subject of solving vehicle management problems. NAFA's Maintenance Committee Chairman Pat Mourges, manager-central auto division, Port Authority of New York & New Jersey, was the moderator for the day's program.

Pat Mourges

Mourges touched upon some of the concerns fleet managers have in reference to the physical care of the fleet car. He began his introductory remarks with a notion that not only is vehicle management an important technical and administrative responsibility, but it is also something fleet managers must deal with on an almost daily basis. "Unfortunately, the full scope and dimensions of this responsibility and its real importance to your fleet operations are sometimes totally ignored or minimized because of its comparatively low cost," he said.

Depreciation Is Biggest Cost Factor

Mourges illustrated his point with chart 1 showing the five major costs for operating a new car. "The biggest cost factors are depreciation at 32 percent and insurance fees at 23 percent. These are followed by interest and fuel at 18 and 19 percent. These costs are not something you have to think about every day. In fact, they were decided on at the time the car was originally purchased. Maintenance, at a slim eight percent, is almost insignificant by comparison," Mourges remarked.

"So, how important can this small item called 'maintenance' really be?" he questioned the group.

"Every time your phone rings with one of your distressed drivers pleading for help on the other end the question gets answered. It's also answered every time you have to authorize expensive repairs and car rentals to get your employee back on the road again," Mourges stressed.

> ***"In an era gone by, vehicles had a simple design and were easier to maintain. They were all functionally the same under the hood."***

Having made the point that maintenance is important, Mourges went on to discuss the direct link between quality maintenance and reliable fleet performance. "By taking it one step further and establishing the link between fleet performance and your corporate mission — whatever it may be, the weight balance illustration symbolizes that relationship," he commented. "The fleet function shown on chart 2 is only a small part of your budgeted corporate resources. These budgeted resources are being committed to achieve the mission objectives shown on the left. The fleet function is indeed a vital function. A reliable fleet will

Chart 1

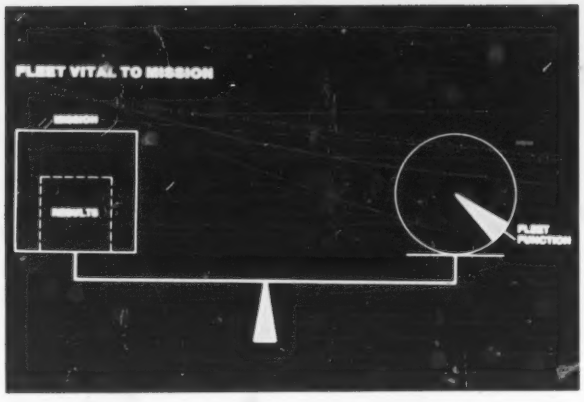

Chart 2

Chart 1 shows the five major costs for operating a new car. The biggest cost factor is depreciation at 32 percent. *Chart 2* shows the link between fleet performance and your corporate mission. The fleet function shown on the right is only a small part of your budgeted corporate resources.

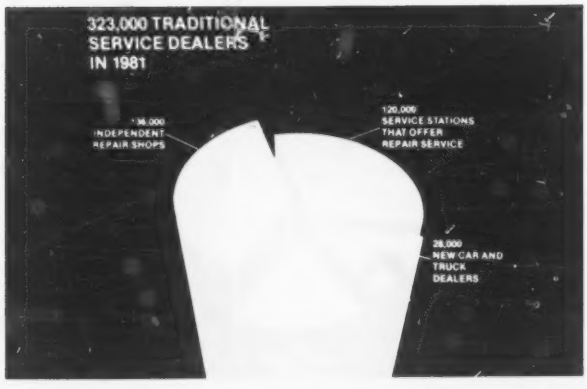
323,000 TRADITIONAL SERVICE DEALERS IN 1981
INDEPENDENT REPAIR SHOPS
120,000 SERVICE STATIONS THAT OFFER REPAIR SERVICE
28,000 NEW CAR AND TRUCK DEALERS

Chart 3

Chart 3 shows the giant marketplace vehicle management supports. As a result, new car and truck dealers are the smallest segment of that service industry.

act as a lever with great mechanical advantages to enhance all of the other corporate resources so that your company results are maximized and your mission objectives fulfilled."

Mourges continued, "The challenge of vehicle management has become complex. In an era gone by, vehicles had a simple design and were easier to maintain. They were all functionally the same under the hood. Once upon a time, the 'old breed' of mechanic could learn by doing parts repair, and when he did one part, he learned them all. However, the concern for energy and our environment has created a 'new breed' of automobile and a 'new breed' of mechanic. Today, we must concern ourselves with microprocessors, feedback loops, boost-air, emission controls, and a host of other technologically complex systems. Professional fleet managers as well as the repair shop mechanic must learn to deal with this rapidly changing new world of 'high tech.' Emphasis is on systems and systems management. It's definitely not simple anymore!"

The Giant Marketplace

Mourges singled out yet another measure of the importance of vehicle management — the giant marketplace it supports. According to a recent survey conducted by *Motor Service* magazine, there are 323,000 traditional service dealers as shown in chart 3. "As a result, new car and truck dealers are the smallest segment of that service industry," Mourges stated. "They are dwarfed by independent repair shops and service stations that offer repair services." Mourges told the group that they should question and explore the segment they use and for what specific services, because they are not all equal.

> ***"Professional fleet managers, as well as the repair shop mechanic, must learn to deal with this rapidly changing new world of 'high tech.'"***

Mourges also reported that the total cost for servicing cars across the nation has been doubling every ten years and judging by the last cost survey of 1981, he said it is probably well over 60 billion dollars today. "Approximately eight percent of your fleet operating budget is in there someplace," he added.

Mourges concluded his remarks with two important questions fleet managers should be asking themselves: "Are you spending your company's money in the right places?" and "Are you buying reliable and effective fleet performance?" ■